

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Coleman		County Midland	
Audit Date June 30, 2005		Opinion Date August 3, 2005		Date Accountant Report Submitted to State: August 26, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

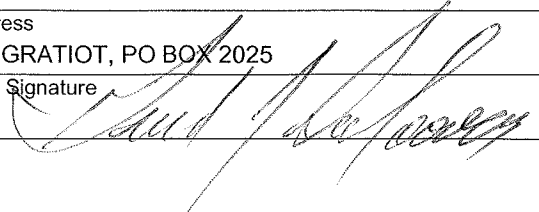
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA				
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI	Zip 48605
Accountant Signature 				

City of Coleman

Coleman, Michigan

Financial Statements

For the Year Ended June 30, 2005

CITY OF COLEMAN

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CITY OF COLEMAN

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

August 3, 2005

To the City Council
City of Coleman
Coleman, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **City of Coleman**, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **City of Coleman**, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Major Street, and Street and Sidewalk Improvement Governmental Funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2005, on our consideration of ***City of Coleman's*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***City of Coleman's*** basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

CITY OF COLEMAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2005

CONCEPTUAL INFORMATION ABOUT THE CITY'S FINANCIAL STATEMENTS

The primary government is presented in two categories, governmental activities and business-type activities. Governmental activities consolidate all general and other governmental funds. This reflects the City of Coleman as a whole that is inclusive of all general operating, special revenue and capital project funds. Business-type activities are limited to the Sanitary Sewer Fund, the Water Fund and Pere Marquette Senior Estates Fund. As the audit report progresses, these categories are presented as individual funds indicating separate fund activities that make up the total governmental and business-type presentation. The statement of net assets gives you a combined City total of assets net of debt with the difference as a statement of equity or net assets. The City of Coleman has adopted a \$5,000 threshold for capitalizing assets. Assets costing less than \$5,000 are expensed in the year they are purchased.

FINANCIAL HIGHLIGHTS

The City of Coleman's assets exceed its liabilities at the close of the most recent fiscal year by \$4,064,875 (net assets). Of this amount \$1,588,683 may be used to meet the City's continuing obligations to citizens and creditors.

The City's total net assets increased by \$160,444 during the 2004-2005 fiscal year.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$552,315, an increase of \$68,777 from the beginning of the year fund balance.

For the fiscal year ended June 30, 2005, General Fund revenues exceed expenditures before transfers out by \$13,024.

The following tables represent an analysis of the City of Coleman's Net Assets. Since the City is now in the second year of its implementation of Governmental Accounting Standard Board Statement No. 34, comparative data is now included.

CITY OF COLEMAN'S Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 556,530	\$ 654,847	\$ 947,557	\$ 1,016,613	\$ 1,504,087	\$ 1,671,460
Capital Assets	766,797	844,270	1,691,070	1,609,863	2,457,867	2,454,133
Total assets	1,323,327	1,499,117	2,638,627	2,626,476	3,961,954	4,125,593
Accounts payable and accrued expenses	32,647	30,227	13,398	14,696	46,045	44,923
Non-current liabilities	11,478	15,795	-	-	11,478	15,795
Total liabilities	44,125	46,022	13,398	14,696	57,523	60,718
Net assets:						
Invested in capital assets, net of related debt	755,319	828,475	1,691,070	1,609,863	2,446,389	2,438,338
Restricted	36,762	37,854	-	-	36,762	37,854
Unrestricted	487,121	586,766	934,159	1,001,917	1,421,280	1,588,683
Total net assets	<u>\$ 1,279,202</u>	<u>\$ 1,453,095</u>	<u>\$ 2,625,229</u>	<u>\$ 2,611,780</u>	<u>\$ 3,904,431</u>	<u>\$ 4,064,875</u>

CITY OF COLEMAN'S Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenues:						
Program revenues:						
Charges for services	\$ 91,355	\$ 68,954	\$ 338,884	\$ 351,679	\$ 430,239	\$ 420,633
Operating grants and contributions	6,356	5,677	-	-	6,356	5,677
Capital grants and contributions	-	20,000	-	-	-	20,000
General revenues:						
Property taxes	417,423	435,304	-	-	417,423	435,304
Grants and contributions not restricted to specific programs	179,330	170,898	-	-	179,330	170,898
Unrestricted investment earnings	5,413	5,359	19,275	19,556	24,688	24,915
Miscellaneous	14,727	64,226	11,206	11,323	25,933	75,549
Total revenues	714,604	770,418	369,365	382,558	1,083,969	1,152,976
Expenses:						
General Government	133,834	145,291	-	-	133,834	145,291
Public Safety	173,461	173,004	-	-	173,461	173,004
Public Works	136,471	110,156	-	-	136,471	110,156
Culture and recreation	30,300	27,251	-	-	30,300	27,251
General Services	141,491	139,361	-	-	141,491	139,361
Interest on debt	1,373	1,462	-	-	1,373	1,462
Sewer	-	-	121,693	130,333	121,693	130,333
Water	-	-	131,661	164,097	131,661	164,097
Senior Housing	-	-	107,196	101,577	107,196	101,577
Total expenses	616,930	596,525	360,550	396,007	977,480	992,532
Change in net assets	97,674	173,893	8,815	(13,449)	106,489	160,444
Net assets, beginning of year	1,181,528	1,279,202	2,616,414	2,625,229	3,797,942	3,904,431
Net assets, end of year	<u>\$ 1,279,202</u>	<u>\$ 1,453,095</u>	<u>\$ 2,625,229</u>	<u>\$ 2,611,780</u>	<u>\$ 3,904,431</u>	<u>\$ 4,064,875</u>

The increase for capital grants and contributions revenue is because the City received a donation of playground equipment in the current fiscal year. Miscellaneous revenue increased in the current year as the City prepares for the purchase of a new street sweeper.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The City of Coleman's tax base continues to be single-family residences. Although the City's valuation continues to increase it also continues to be necessary to levy the maximum allowable mileage (after the Headlee rollback). Decreases in state revenue sharing payments continue to impact the City's operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were slightly less than 7% above original budgeted revenues primarily due to the sale of a parcel of land while expenditures were approximately 5% higher than originally anticipated.

CAPITAL ASSETS

Due to the uncertain economy, the City of Coleman has not been spending money on new capital assets, although necessity created by aging equipment has prompted the City to schedule several purchases for the next fiscal year. Existing capital assets continue to be maintained. The City of Coleman continues to have a capitalization threshold of \$5,000 or more. This means investment in assets of less than \$5,000 is expensed in the year they are acquired.

CITY OF COLEMAN'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 377,008	\$ 67,016	\$ 444,024
Buildings	118,576	291,208	409,784
Infrastructure	170,856	-	170,856
Public safety	35,450	-	35,450
Machinery and equipment	142,380	3,635	146,015
Senior housing complex	-	935,877	935,877
Collection and disposal system	-	312,127	312,127
Total	<u>\$ 844,270</u>	<u>\$ 1,609,863</u>	<u>\$ 2,454,133</u>

LONG-TERM DEBT

The City of Coleman's only increases in long-term debt in the year ended June 30, 2005 were due to the lease/purchases of a copier valued at \$6,629 and a police car valued at \$20,082. The June 30, 2005 long-term debt total showed an increase of \$4,317 from the previous year end.

THE CITY OF COLEMAN'S FINANCIAL FUTURE

The City spends conservatively. Cost for health care, municipal insurance premiums, utilities etc. continue to rise. The City maintains its facilities but struggles to provide services to its citizens at the same level as past years. The police department strives to maintain the current level of services to City of Coleman residents as revenue sharing payments decline. Growth in the City has been slow but the City hopes for new business and industry. Expanding our tax base past single-family homes needs to be a prime objective.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Coleman's finances. Question concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Coleman Treasurer, P.O. Box 504, Coleman, Michigan 48618.

CITY OF COLEMAN

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 584,481	\$ 950,433	\$ 1,534,914
Receivables	57,880	63,767	121,647
Internal balances	6,812	(6,812)	-
Prepays	5,674	-	5,674
Restricted assets - cash and cash equivalents	-	9,225	9,225
Capital assets, net			
Assets not being depreciated	377,008	67,016	444,024
Assets being depreciated	467,262	1,542,847	2,010,109
 Total assets	 1,499,117	 2,626,476	 4,125,593
Liabilities			
Accounts payable and accrued expenses	30,227	14,696	\$ 44,923
Non-current liabilities:			
Due within one year	6,402	-	6,402
Due in more than one year	9,393	-	9,393
 Total liabilities	 46,022	 14,696	 60,718
Net Assets			
Invested in capital assets, net of related debt	828,475	1,609,863	2,438,338
Restricted for:			
Capital projects	37,854	-	37,854
Unrestricted	586,766	1,001,917	1,588,683
 Total net assets	 \$ 1,453,095	 \$ 2,611,780	 \$ 4,064,875

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 145,291	\$ 67,840	\$ -	\$ -	\$ (77,451)
Public safety	173,004	1,114	-	-	(171,890)
Public works	110,156	-	-	-	(110,156)
Culture and recreation	27,251	-	-	20,000	(7,251)
General services	139,361	-	5,677	-	(133,684)
Interest on long-term debt	1,462	-	-	-	(1,462)
Total governmental activities	596,525	68,954	5,677	20,000	(501,894)
Business-type activities:					
Sewer	130,333	96,680	-	-	(33,653)
Water	164,097	114,024	-	-	(50,073)
Senior housing	101,577	140,975	-	-	39,398
Total business-type activities	396,007	351,679	-	-	(44,328)
Total primary government	\$ 992,532	\$ 420,633	\$ 5,677	\$ 20,000	\$ (546,222)

continued...

CITY OF COLEMAN
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Governmental Activities	Business-type Activities	Total
Change in net assets			
Net (expense) revenue	\$ (501,894)	\$ (44,328)	\$ (546,222)
General revenues:			
Property taxes	435,304	-	435,304
Grants and contributions not restricted to specific programs	170,898	-	170,898
Unrestricted investment earnings	5,359	19,556	24,915
Miscellaneous general revenues	64,226	11,323	75,549
Total general revenues	675,787	30,879	706,666
Change in net assets	173,893	(13,449)	160,444
Net assets, beginning of the year	1,279,202	2,625,229	3,904,431
Net assets, end of year	\$ 1,453,095	\$ 2,611,780	\$ 4,064,875

CITY OF COLEMAN

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2005

	<u>GENERAL</u>	<u>MAJOR STREETS</u>
ASSETS		
Cash and cash equivalents	\$ 154,720	\$ 142,830
Certificates of deposits	84,142	-
Accounts receivable	22,795	-
Prepays	5,674	-
Due from other funds	14,337	-
Due from State	<u>20,607</u>	<u>6,532</u>
 TOTAL ASSETS	 <u><u>\$ 302,275</u></u>	 <u><u>\$ 149,362</u></u>
 LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	22,849	506
Accrued liabilities	5,955	-
Due to other funds	<u>11,289</u>	<u>7,025</u>
 TOTAL LIABILITIES	 <u>40,093</u>	 <u>7,531</u>
 FUND EQUITY		
Fund balances		
Reserved for:		
Capital projects	-	-
Unreserved - undesignated, reported in:		
General fund	262,182	-
Special revenue funds	<u>-</u>	<u>141,831</u>
 TOTAL FUND EQUITY	 <u>262,182</u>	 <u>141,831</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u><u>\$ 302,275</u></u>	 <u><u>\$ 149,362</u></u>

The accompanying notes are an integral part of these financial statements.

STREET AND SIDEWALK IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	TOTALS
\$ 50,600	\$ 56,599	\$ 404,749
-	37,854	121,996
-	-	22,795
-	-	5,674
-	24,359	38,696
5,677	2,269	35,085
<u>\$ 56,277</u>	<u>\$ 121,081</u>	<u>\$ 628,995</u>
-	650	24,005
-	-	5,955
24,359	4,047	46,720
<u>24,359</u>	<u>4,697</u>	<u>76,680</u>
-	37,854	37,854
-	-	262,182
31,918	78,530	252,279
<u>31,918</u>	<u>116,384</u>	<u>552,315</u>
<u>\$ 56,277</u>	<u>\$ 121,081</u>	<u>\$ 628,995</u>

CITY OF COLEMAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2005

Fund balances - total governmental funds	\$ 552,315
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets	1,036,898
Deduct - accumulated depreciation	(290,089)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Subtract: capital lease payable	(15,795)
An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are partially included in governmental activities in the statement of net assets.	
Add - net assets of governmental activities accounted for in the internal service fund	<u>169,766</u>
Net assets of governmental activities	<u><u>\$ 1,453,095</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL	MAJOR STREETS	STREET AND SIDEWALK IMPROVEMENT
Revenues			
Taxes	\$ 229,804	\$ 17,335	\$ 71,283
Intergovernmental revenue - State of Michigan	170,898	86,765	-
Charges for services	56,308	-	-
Fines and forfeits	4,762	-	-
Other revenues	74,366	20,270	6,285
	<u>536,138</u>	<u>124,370</u>	<u>77,568</u>
Total revenues	<u>536,138</u>	<u>124,370</u>	<u>77,568</u>
Expenditures			
General government	104,902	-	-
Public safety	162,220	-	-
Public works	128,792	-	-
Recreation and cultural	52,314	-	-
General services	-	111,682	24,358
Other functions	36,352	-	-
Capital outlay	26,711	-	-
Debt service	11,823	-	-
	<u>523,114</u>	<u>111,682</u>	<u>24,358</u>
Total expenditures	<u>523,114</u>	<u>111,682</u>	<u>24,358</u>
Revenues over (under) expenditures	<u>13,024</u>	<u>12,688</u>	<u>53,210</u>
Other financing sources (uses)			
Proceeds from capital leases	26,711	-	-
Transfer in	-	67,938	-
Transfer out	(8,000)	-	(59,938)
	<u>18,711</u>	<u>67,938</u>	<u>(59,938)</u>
Total other financing sources (uses)	<u>18,711</u>	<u>67,938</u>	<u>(59,938)</u>
Net changes in fund balances	31,735	80,626	(6,728)
Fund balances, beginning of year	<u>230,447</u>	<u>61,205</u>	<u>38,646</u>
Fund balances, end of year	<u><u>\$ 262,182</u></u>	<u><u>\$ 141,831</u></u>	<u><u>\$ 31,918</u></u>

The accompanying notes are an integral part of these financial statements.

OTHER GOVERNMENTAL FUNDS	TOTALS
\$ -	\$ 318,422
30,117	287,780
-	56,308
-	4,762
1,966	102,887
32,083	770,159
-	104,902
-	162,220
-	128,792
-	52,314
68,939	204,979
-	36,352
-	26,711
-	11,823
68,939	728,093
(36,856)	42,066
-	26,711
-	67,938
-	(67,938)
-	26,711
(36,856)	68,777
153,240	483,538
\$ 116,384	\$ 552,315

CITY OF COLEMAN

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF THE GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$	68,777
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital additions		127,359
Deduct - depreciation expense		(31,303)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities		10,916
Deduct - capital lease proceeds		(26,711)

An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. The net revenue attributable to that fund is partially reported with governmental activities.

Add - interest revenue from governmental internal service fund		58
Add - gain on sale of capital assets		259
Deduct - interest expense from governmental internal service fund		(1,520)
Add - net operating gain from governmental activities in internal service fund		26,058

Change in net assets of governmental activities	\$	173,893
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The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	OVER (UNDER) BUDGET
Revenues				
Taxes	\$ 208,497	\$ 229,794	\$ 229,804	\$ 10
Intergovernmental revenue -				
State of Michigan	173,878	193,432	170,898	(22,534)
Charges for services	91,143	74,215	56,308	(17,907)
Fines and forfeits	500	4,765	4,762	(3)
Other revenues	27,000	54,073	74,366	20,293
Total revenues	501,018	556,279	536,138	(20,141)
Expenditures				
General government	113,285	106,778	104,902	(1,876)
Public safety	157,349	167,656	162,220	(5,436)
Public works	166,539	131,269	128,792	(2,477)
Recreation and cultural	32,352	35,675	52,314	16,639
Other functions	26,843	38,308	36,352	(1,956)
Capital outlay	-	-	26,711	26,711
Debt service	-	10,898	11,823	925
Total expenditures	496,368	490,584	523,114	32,530
Revenues over (under) expenditures	4,650	65,695	13,024	(52,671)
Other financing sources (uses)				
Proceeds from capital leases	-	-	26,711	26,711
Transfer in	3,350	-	-	-
Transfer out	(8,000)	(8,000)	(8,000)	-
Total other financing sources (uses)	(4,650)	(8,000)	18,711	26,711
Net changes in fund balance	-	57,695	31,735	(25,960)
Fund balance, beginning of year	230,447	230,447	230,447	-
Fund balance, end of year	\$ 230,447	\$ 288,142	\$ 262,182	\$ (25,960)

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL MAJOR STREETS

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	OVER (UNDER) BUDGET
Revenues				
Taxes				
Midland County road tax	\$ 16,100	\$ 17,335	\$ 17,335	\$ -
Intergovernmental revenue				
Gas and weight tax	81,600	85,425	83,940	(1,485)
Build Michigan Program	2,880	2,825	2,825	-
Total intergovernmental revenue	84,480	88,250	86,765	(1,485)
Other	350	180	20,270	20,090
Total revenues	100,930	105,765	124,370	18,605
Expenditures				
Routine maintenance	85,425	81,182	76,943	(4,239)
Winter maintenance	43,275	31,309	31,308	(1)
Administration	3,775	3,575	3,431	(144)
Construction	5,924	-	-	-
Total expenditures	138,399	116,066	111,682	(4,384)
Revenues over (under) expenditures	(37,469)	(10,301)	12,688	22,989
Other financing sources				
Transfer in	37,969	87,938	67,938	(20,000)
Net change in fund balance	500	77,637	80,626	2,989
Fund balance, beginning of year,	61,205	61,205	61,205	-
Fund balance, end of year	\$ 61,705	\$ 138,842	\$ 141,831	\$ 2,989

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL STREET AND SIDEWALK IMPROVEMENT

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	OVER (UNDER) BUDGET
Revenues				
Taxes				
Property taxes	\$ 66,682	\$ 71,283	\$ 71,283	\$ -
Other	350	500	6,285	5,785
Total revenues	67,032	71,783	77,568	5,785
Expenditures				
Construction	37,063	7,094	24,358	17,264
Revenues over (under) expenditures	29,969	64,689	53,210	(11,479)
Other financing uses				
Transfer out	(29,969)	(59,938)	(59,938)	-
Net change in fund balance	-	4,751	(6,728)	(11,479)
Fund balance, beginning of year,	38,646	38,646	38,646	-
Fund balance, end of year	\$ 38,646	\$ 43,397	\$ 31,918	\$ (11,479)

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2005

	SEWER FUND	WATER FUND	SENIOR HOUSING FUND	TOTAL	INTERNAL SERVICE FUND
ASSETS					
Current assets					
Cash and cash equivalents	\$ 48,082	\$ 76,027	\$ 10,807	\$ 134,916	\$ 57,736
Certificates of deposit	165,224	25,988	624,305	815,517	-
Accounts receivable	29,266	34,500	-	63,766	-
Due from other funds	-	-	-	-	28,253
Restricted assets					
Customer deposits	-	-	9,225	9,225	-
Total current assets	<u>242,572</u>	<u>136,515</u>	<u>644,337</u>	<u>1,023,424</u>	<u>85,989</u>
Capital assets					
Land and improvements	85,689	8,800	5,727	100,216	-
Buildings	21,980	533,502	-	555,482	43,465
Senior housing complex	-	-	1,194,998	1,194,998	-
Water collection system	-	476,142	-	476,142	-
Sewer disposal system	1,093,487	-	-	1,093,487	-
Equipment	36,370	28,829	-	65,199	297,004
Less accumulated depreciation	<u>(1,002,107)</u>	<u>(614,430)</u>	<u>(259,124)</u>	<u>(1,875,661)</u>	<u>(243,007)</u>
Total capital assets	<u>235,419</u>	<u>432,843</u>	<u>941,601</u>	<u>1,609,863</u>	<u>97,462</u>
Total assets	<u>477,991</u>	<u>569,358</u>	<u>1,585,938</u>	<u>2,633,287</u>	<u>183,451</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 1,087	\$ 2,396	\$ 1,988	\$ 5,471	\$ 267
Due to other funds	12,052	6,251	1,442	19,745	484
Customer deposits	-	-	9,225	9,225	-
Total liabilities	<u>13,139</u>	<u>8,647</u>	<u>12,655</u>	<u>34,441</u>	<u>751</u>
Net Assets					
Invested in capital assets	235,419	432,843	941,601	1,609,863	97,462
Unrestricted	<u>229,433</u>	<u>127,868</u>	<u>631,682</u>	<u>988,983</u>	<u>85,238</u>
Total Net Assets	<u>\$ 464,852</u>	<u>\$ 560,711</u>	<u>\$ 1,573,283</u>	2,598,846	<u>\$ 182,700</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>12,934</u>	
Net assets of business-type activities on the governmental-wide statement of net assets				<u>\$ 2,611,780</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2005

	SEWER FUND	WATER FUND	SENIOR HOUSING FUND	TOTAL	INTERNAL SERVICE FUND
Operating revenues					
Charges for services	\$ 93,351	\$ 108,582	\$ -	\$ 201,933	\$ 114,338
Tap-in fees	1,800	3,600	-	5,400	-
Penalties on service revenue	1,529	1,842	-	3,371	-
Rental income	-	8,011	140,975	148,986	-
Miscellaneous	-	691	2,621	3,312	655
Total operating revenues	96,680	122,726	143,596	363,002	114,993
Operating expenses					
Wages and fringes	73,616	84,061	18,911	176,588	24,253
Utilities	4,666	9,406	17,645	31,717	-
Equipment rental	14,403	30,094	106	44,603	-
Operating supplies	8,859	15,792	19,316	43,967	25,294
Miscellaneous	-	999	-	999	-
Professional fees	3,500	3,500	2,500	9,500	4,500
Depreciation	28,206	22,363	30,641	81,210	19,836
Repairs & maintenance	-	-	8,170	8,170	-
Insurance	-	-	3,300	3,300	6,300
Contracted services	-	800	3,905	4,705	-
Total operating expenses	133,250	167,015	104,494	404,759	80,183
Operating income (loss)	(36,570)	(44,289)	39,102	(41,757)	34,810
Nonoperating revenues (expenses)					
Interest revenue	3,760	832	14,964	19,556	58
Gain on the sale of capital assets	-	-	-	-	259
Interest expense	-	-	-	-	(1,520)
Total non-operating revenues (expenses)	3,760	832	14,964	19,556	(1,203)
Change in net assets	(32,810)	(43,457)	54,066	(22,201)	33,607
Net assets, beginning of year	497,662	604,168	1,519,217	2,621,047	149,093

CITY OF COLEMAN
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
OF THE ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Change in net assets - all enterprise funds	\$ (22,201)
---------------------------------------------	-------------

An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. The net revenue (expense) attributable to that fund is partially reported with business-type activities.

Add - net operating gain from business-type activities in internal service fund	<u>8,752</u>
---------------------------------------------------------------------------------	--------------

Change in net assets of business-type activities	<u><u>\$ (13,449)</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	SEWER FUND	WATER FUND	SENIOR HOUSING FUND	TOTAL	INTERNAL SERVICE FUND
Cash flows from operating activities					
Cash received from customers	\$ 95,744	\$ 119,612	\$ 143,596	\$ 358,952	\$ -
Cash received from interfund services provided	3,266	-	295	3,561	116,912
Cash payments for interfund services used	-	(1,429)	-	(1,429)	-
Cash payments to suppliers for goods and services	(30,765)	(59,530)	(55,368)	(145,663)	(36,035)
Cash payments to employees for services	(73,616)	(84,061)	(18,911)	(176,588)	(24,253)
Net cash provided (used) by operating activities	(5,371)	(25,408)	69,612	38,833	56,624
Cash from capital and related financing activities					
Interest on debt	-	-	-	-	(1,520)
Principal payments on capital lease obligations	-	-	-	-	(11,478)
Acquisition of capital assets	-	-	-	-	(995)
Net cash (used in) capital and related financing activities	-	-	-	-	(13,993)
Cash from investing activities					
Interest on investments	3,760	832	14,964	19,556	58
Investment in certificates of deposit	(2,188)	(511)	(80,595)	(83,294)	-
Net cash provided by (used in) investing activities	1,572	321	(65,631)	(63,738)	58
Net increase (decrease) in cash and cash equivalents	(3,799)	(25,087)	3,981	(24,905)	42,689
Cash and cash equivalents, beginning of year	51,881	101,114	16,051	169,046	15,047
Cash and cash equivalents, end of year	<u>\$ 48,082</u>	<u>\$ 76,027</u>	<u>\$ 20,032</u>	<u>\$ 144,141</u>	<u>\$ 57,736</u>
Non-cash investing, capital and financing transactions					
All dividends and interest income were immediately reinvested in the cash management funds					
Cash from operating activities					
Operating income (loss)	\$ (36,570)	\$ (44,289)	\$ 39,102	\$ (41,757)	\$ 34,810
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:					
Depreciation	28,206	22,363	30,641	81,210	19,836
Changes in operating assets and liabilities which provided (used) cash:					
Accounts receivable	(936)	(3,114)	-	(4,050)	-
Due from other funds	-	-	-	-	1,801
Accounts payable	663	1,061	(426)	1,298	59
Due to other funds	3,266	(1,429)	295	2,132	118
Net cash provided (used) by operations	<u>\$ (5,371)</u>	<u>\$ (25,408)</u>	<u>\$ 69,612</u>	<u>\$ 38,833</u>	<u>\$ 56,624</u>

A non-cash transaction occurred when the City received \$5,445 for a trade in on a new asset valued at \$6,440.

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

City of Coleman (the “City”) has determined that no entities should be consolidated into its basic financial statements as component units. The criteria for including a component unit includes significant operational or financial relationships with the City. Therefore, the reporting entity consists only of the primary government.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for Agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *major streets fund* accounts for the revenue and the related operation and maintenance of the major street system.

The *street and sidewalk improvement fund* accounts for the revenue and the related operation and maintenance of the City's streets and sidewalks.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

The government reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water fund* accounts for the activities of the government's water distribution and treatment system.

The *senior housing fund* accounts for the activities of the government's senior housing complex.

Additionally, the City reports the following fund types:

The *Internal service fund* accounts for the equipment rental services provided to other departments or agencies of the government on a cost reimbursement basis.

Agency funds are used to account for the assets held for other governments in an agency capacity. At the end of the June 30, 2005 fiscal year there were no balances in the agency funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer, water and senior housing enterprise funds are charges to customers for sales and services. The sewer and water funds also recognize as operating revenues the portion of tap-in fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

ASSETS, LIABILITIES AND EQUITY

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

Receivables and payables

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

City property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the City's own property taxes and taxes billed on behalf of the school districts within the City's boundaries and Midland County.

Real property taxes not collected as of March 1 are turned over to Midland County for collection, which advances the City 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Prepaid items

Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted assets

Proceeds received from tenants of the Pere Marquette Senior Housing facility that represent refundable deposits have been classified as restricted assets.

Capital assets

Capital assets, which include property, plant, and equipment (the City owns infrastructure assets such as water and sewer systems and roads and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

The City has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets. The City will retroactively capitalize the infrastructure assets required on or before June 30, 2004, as permitted by GASB 34.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10
Public domain infrastructure	5-50
Building	40
Senior housing complex	40
Equipment	3
Collections and disposal systems	5-10

Compensated absences

The City does not allow employees to accumulate substantial levels of compensated absences from year to year. Employees do not receive a payoff of the accumulated compensated absences at termination.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- Prior to June 1, the departments submit to the City Council a proposed departmental operating budget for the fiscal year commencing the following July 1. This operating budget includes proposed expenditures and means of financing them.
- Public hearings are conducted at the governmental center to obtain taxpayer comments.
- Prior to July 1, the budget is legally enacted through passage of an ordinance.
- All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the City Council throughout the operating year.
- Annual budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue Funds.
- Budgets for the General and Special Revenue Funds are prepared on a modified accrual basis, while the Internal Service and Enterprise Funds informational budgets are prepared using the accrual basis of accounting. Both methods are consistent with generally accepted accounting principles (GAAP).
- The legal level of control is at the activity level for the General and Special Revenue Funds.
- Revisions that alter the total expenditures of any fund or total department expenditures in the General Fund must be approved by the City Council

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures exceeding budgeted appropriations at the activity level, which is the City's legal level of budgetary control for the year ended June 30, 2005:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
GENERAL FUND			
GENERAL GOVERNMENT			
Mayor and council	\$ 29,245	\$ 31,324	\$ (2,079)
RECREATION AND CULTURE	35,675	52,314	(16,639)
CAPITAL OUTLAY	-	26,711	(26,711)
DEBT SERVICE	10,898	11,823	(925)
STREET AND SIDEWALK FUND			
CONSTRUCTION	7,094	24,358	(17,264)
LOCAL STREETS FUND			
ROUTINE MAINTENANCE	7,300	7,470	(170)

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown in the financial statements to the City's deposits and investments is as follows:

	<u>Total</u>
Government-wide Financial Statement Captions:	
Cash and cash equivalents	\$ 1,534,914
Restricted assets - cash and cash equivalents	<u>9,225</u>
	<u>\$ 1,544,139</u>
Notes to Financial Statements:	
Deposits	\$ 1,544,089
Cash on hand	<u>50</u>
	<u>\$ 1,544,139</u>

Investment and deposit risk:

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City has no investments for which ratings are required.

Custodial credit risk deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end, \$1,470,470 of the City's bank balance of \$1,570,470 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City is authorized by statute to invest surplus funds in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940, limited to mutual fund securities whose intention is to maintain a net asset value of \$1.00 per share.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The City Council is authorized to designate depositories for City funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The City's deposits are in accordance with statutory authority.

B. RECEIVABLES

Receivables as of year end for the government's governmental and business-type activities in the aggregate, are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Receivables:		
Accounts	\$ 22,795	\$ 63,767
Intergovernmental	<u>35,085</u>	<u>-</u>
 Total receivables	 <u>\$ 57,880</u>	 <u>\$ 63,767</u>

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

C. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated – Land	\$ 377,008	\$ -	\$ -	\$ 377,008
Capital assets being depreciated:				
Buildings	318,101	6,950	-	325,051
Infrastructure	110,037	73,697	-	183,734
Public safety	82,033	20,082	(20,250)	81,865
Machinery and equipment	<u>399,387</u>	<u>33,070</u>	<u>(22,748)</u>	<u>409,709</u>
Total capital assets being depreciated	<u>909,558</u>	<u>133,799</u>	<u>(42,998)</u>	<u>1,000,359</u>
Less accumulated depreciation				
Buildings	(199,703)	(6,772)	-	(206,475)
Infrastructure	(4,800)	(8,078)	-	(12,878)
Public safety	(56,722)	(9,943)	20,250	(46,415)
Machinery and equipment	<u>(258,545)</u>	<u>(26,346)</u>	<u>17,562</u>	<u>(267,329)</u>
Total accumulated depreciation	<u>(519,770)</u>	<u>(51,139)</u>	<u>37,812</u>	<u>(533,097)</u>
Total capital assets being depreciated, net	<u>389,788</u>	<u>82,660</u>	<u>(5,186)</u>	<u>467,262</u>
Governmental activities capital assets, net	<u>\$ 766,796</u>	<u>\$ 82,660</u>	<u>\$ (5,186)</u>	<u>\$ 844,270</u>

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 67,016	\$ -	\$ -	\$ 67,016
Capital assets being depreciated:				
Buildings	555,482	-	-	555,482
Land improvements	33,200	-	-	33,200
Senior housing complex	1,194,998	-	-	1,194,998
Collection & disposal system	1,569,629	-	-	1,569,629
Equipment	<u>65,199</u>	<u>-</u>	<u>-</u>	<u>65,199</u>
Total capital assets being depreciated	<u>3,418,508</u>	<u>-</u>	<u>-</u>	<u>3,418,508</u>
Less accumulated depreciation:				
Buildings	(250,820)	(13,454)	-	(264,274)
Land improvements	(33,200)	-	-	(33,200)
Senior housing complex	(228,480)	(30,641)	-	(259,121)
Collection & disposal system	(1,221,208)	(36,294)	-	(1,257,502)
Equipment	<u>(60,743)</u>	<u>(821)</u>	<u>-</u>	<u>(61,564)</u>
Total accumulated depreciation	<u>(1,794,451)</u>	<u>(81,210)</u>	<u>-</u>	<u>(1,875,661)</u>
Total capital assets being depreciated, net	<u>1,624,057</u>	<u>(81,210)</u>	<u>-</u>	<u>1,542,847</u>
Business-type activities capital assets, net	<u>\$ 1,691,073</u>	<u>\$ (81,210)</u>	<u>\$ -</u>	<u>\$ 1,609,863</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 3,951
Public safety	9,943
Public works	27,260
Culture and recreation	1,887
General services	<u>8,098</u>

Total depreciation expense – governmental activities \$ 51,139

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

Business-type activities:

Sewer	\$ 28,206
Water	22,363
Senior housing	<u>30,641</u>
Total depreciation expense – business-type activities	<u>\$ 81,210</u>

D. PAYABLES

Accounts payable and accrued expenses as of year end for the government's governmental and business-type activities in the aggregate, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Payables:		
Accounts	\$ 24,272	\$ 5,471
Payroll liabilities	<u>5,955</u>	<u>9,225</u>
Total payables	<u>\$ 30,227</u>	<u>\$ 14,696</u>

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2005, is as follows:

Due To	<u>Due From</u>								
	Street and Sidewalk Improvement	General	Major Streets	Non-Major Government Funds	Senior Housing Complex	Sewer	Water	Internal Service	Total
General	\$ -	\$ -	\$ 2,525	\$ 553	\$ 1,336	\$ 5,759	\$ 3,680	\$ 484	\$ 14,337
Internal Service	-	11,289	4,500	3,494	106	6,293	2,571	-	28,253
Nonmajor Govt. Funds	24,359	-	-	-	-	-	-	-	24,359
Total	<u>\$ 24,359</u>	<u>\$11,289</u>	<u>\$ 7,025</u>	<u>\$ 4,047</u>	<u>\$ 1,442</u>	<u>\$12,052</u>	<u>\$ 6,251</u>	<u>\$ 484</u>	<u>\$ 66,949</u>

The interfund receivables and payables for the City consist of amounts due to the General fund for fringe benefits paid by the General fund, and amounts due to the Equipment rental internal service fund for equipment rental charges.

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

Transfer To	Transfer From		
	General	Street & Sidewalk	Total
Major Streets	<u>\$ 8,000</u>	<u>\$ 59,938</u>	<u>\$ 67,938</u>

The interfund transfers to the Major Streets fund are for the FY 05/06 purchase of a street sweeper.

F. LONG-TERM DEBT

Long-term obligations for the year ended June 30, 2005, were as follows:

	Balance July 1, 2004	Additions	(Reductions)	Balance June 30, 2005	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Installment Contracts					
John Deere-Lawn Mower-original issue of \$22,933 with an annual maturity of \$4,587, maturing through September 11, 2004 bearing interest of 9.99%.	\$ 4,171	\$ -	\$ (4,171)	\$ -	\$ -
1999 GMC Regular Cab Dump truck, original issue of \$11,512 with annual maturities of \$4,205 maturing through September 29, 2005 bearing interest of 9.9%.	7,307	-	(7,307)	-	-
Copy machine, original issue of \$6,629 with annual maturities of \$860 to \$899 maturing through December 31, 2008 bearing interest of 5.969%.	-	6,629	(860)	5,769	1,529
City police vehicle – original issue of \$20,082 with an annual maturity of \$5,449 maturing through June 1, 2007, bearing interest of 5.75%.	-	20,082	(10,056)	10,026	4,873
TOTAL LONG-TERM DEBT	<u>\$ 11,478</u>	<u>\$ 26,711</u>	<u>\$ (22,394)</u>	<u>\$ 15,795</u>	<u>\$ 6,402</u>

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

The annual requirements to pay future principal and interest on the governmental installment contracts are as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 6,402	\$ 898
2007	6,774	525
2008	1,720	131
2009	899	27
	<u>\$ 15,795</u>	<u>\$ 1,581</u>

G. LEASES

The City's leasing operation consists of leasing apartments in the senior housing complex. Leases are generally signed for one-year terms and are classified as operating leases. The City's investment in property held for lease at June 30, 2005, consists of the following:

Senior housing complex	\$ 1,200,725
Less accumulated depreciation	<u>(259,124)</u>
Total	<u>\$ 941,601</u>

Rental income from the leasing operation was \$140,975 for the year ended June 30, 2005.

IV. OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLAN

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement system of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

Funding Policy

The City is required to contribute at an actuarially determined rate; the current rate is 16.57% of annual covered payroll. City employees are required to contribute 3 - 5% of their annual covered payroll. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost

For the year ended June 30, 2005, the City's annual pension cost of \$40,442 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.50% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$37,474	100%	\$0
6/30/04	38,440	100	0
6/30/05	40,442	100	0

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
12/31/02	\$850,931	\$1,276,998	\$426,067	67%	\$235,297	181%
12/31/03	925,190	1,339,802	414,612	69	241,454	172%
12/31/04	987,178	1,477,648	490,470	67	248,078	198%

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

B. PROPERTY TAXES

City property taxes are attached as an enforceable lien on property as of July 1 and are due without penalty on or before September 30. These summer tax bills include the City's own property taxes and taxes billed on behalf of the community college which covers the district in which the City is located. Real property taxes not collected as of March 1 are turned over to Midland County for collection, which advances the City 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Property taxes levied in July of each year are recognized as revenue in that year.

The City acts as a collection agent for the State of Michigan, Midland County, the intermediate school district, the local school district, the community college and the library located within the City limits for winter property taxes.

Taxes collected on behalf of the school districts, Midland County, the State of Michigan and the library are turned over to the districts, County, State, and library immediately following collection and are accounted for in designated agency funds.

C. CONTINGENCIES AND COMMITMENTS

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. However, City management does not believe such disallowances, if any, will be material to the financial position of the City.

D. SUBSEQUENT EVENT

The City approved the purchase of a 2005 Elgin Crosswind Street Sweeper on July 26, 2005 for \$145,000 less an \$18,700 discount. The City will also receive \$5,000 trade in of an old street sweeper and \$8,000 for a catch basin cleaner. The net purchase price of the new street sweeper will be \$113,300.

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CITY OF COLEMAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005
(With comparative actual amounts for the year ending June 30, 2004)

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET	2004
Taxes					
Current property taxes	\$ 200,047	\$ 219,398	\$ 219,308	\$ (90)	\$ 205,462
Tax administration fees	8,200	10,177	10,277	100	9,076
Trailer park fees	250	219	219	-	306
Total taxes	208,497	229,794	229,804	10	214,844
Intergovernmental revenue - State of Michigan					
Sales tax	172,675	192,245	169,711	(22,534)	178,127
Liquor license	1,203	1,187	1,187	-	1,203
Total intergovernmental revenue - State of Michigan	173,878	193,432	170,898	(22,534)	179,330
Charges for services					
Refuse collections	86,668	73,025	55,119	(17,906)	74,554
Weed cutting	750	781	781	-	448
Duplicating and photostats	125	59	59	-	147
Board of appeal fees	100	200	150	(50)	-
Inspections	3,500	150	199	49	3,442
Total charges for services	91,143	74,215	56,308	(17,907)	78,591
Fines and forfeits					
Library fines and 75th District Court	500	4,765	4,762	(3)	4,290
Other revenue					
Miscellaneous	24,900	51,973	71,851	19,878	23,201
Reimbursements	-	-	-	-	-
Interest income	2,100	2,100	2,515	415	2,438
Total other revenue	27,000	54,073	74,366	20,293	25,639
Other financing sources					
Proceeds from capital lease	-	-	26,711	26,711	-
Transfer in	3,350	-	-	-	-
Total revenues	\$ 504,368	\$ 556,279	\$ 536,138	\$ (20,141)	\$ 502,694

CITY OF COLEMAN

GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
General government				
Mayor and council	\$ 34,494	\$ 29,245	\$ 31,324	\$ 2,079
Assessor	6,957	7,045	7,044	(1)
Treasurer	9,968	11,141	10,261	(880)
Elections	1,000	1,772	1,772	-
Clerk	12,945	8,664	6,511	(2,153)
Public property	47,061	48,397	47,482	(915)
Planning commission	860	514	508	(6)
Total general government	113,285	106,778	104,902	(1,876)
Public safety				
Police department	127,384	139,376	133,959	(5,417)
Fire protection	27,805	27,805	27,786	(19)
Housing code enforcement	2,160	475	475	-
Total public safety	157,349	167,656	162,220	(5,436)
Public works				
Sanitation	86,668	73,025	71,403	(1,622)
Storm sewers	22,000	7,058	6,619	(439)
Department of public works	57,871	51,186	50,770	(416)
Total public works	166,539	131,269	128,792	(2,477)
Recreation and cultural - Parks department	32,352	35,675	52,314	16,639
Other functions - Insurance	26,843	38,308	36,352	(1,956)
Capital outlay	-	-	26,711	26,711
Debt service	-	10,898	11,823	925
Total expenditures	496,368	490,584	523,114	32,530
Other financing uses - transfer out	8,000	8,000	8,000	-
Total expenditures and financing uses	\$ 504,368	\$ 498,584	\$ 531,114	\$ 32,530

CITY OF COLEMAN

GENERAL FUND DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005
(With comparative actual amounts for the year ended June 30, 2004)

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET	2004
General government					
Mayor and council					
Legislative wages and benefits	\$ 1,250	\$ 1,250	\$ 1,250	\$ -	\$ 1,250
Office supplies	2,000	2,114	2,114	-	1,902
Legal fees	10,000	10,000	7,488	(2,512)	12,352
Election fees	-	-	-	-	1,056
Audit and accounting	6,000	2,925	2,925	-	4,350
Board of Review fees and per diem	500	349	349	-	300
Newspaper notices	3,250	3,000	3,072	72	3,281
Dues	1,400	1,277	1,277	-	1,359
Telephone	850	830	788	(42)	730
Computer replacement	700	700	700	-	700
Contributions to library	-	-	-	-	23,205
Other administrative costs	8,544	6,800	11,361	4,561	19,743
Total mayor and council	34,494	29,245	31,324	2,079	70,228
Assessor					
Wages and benefits	6,032	6,032	6,032	-	5,700
Other	925	1,013	1,012	(1)	752
Total assessor	6,957	7,045	7,044	(1)	6,452
Treasurer					
Wages and benefits	6,718	7,911	7,430	(481)	6,017
Office supplies	2,000	2,000	1,663	(337)	2,445
Other	1,250	1,230	1,168	(62)	1,124
Total treasurer	9,968	11,141	10,261	(880)	9,586
Elections					
Wages and benefits	750	1,199	1,199	-	-
Office supplies	150	325	325	-	125
Other	100	248	248	-	31
Total elections	1,000	1,772	1,772	-	156
Clerk					
Wages and benefits	8,091	2,425	2,110	(315)	2,948
Education	200	-	-	-	290
Office supplies	1,104	1,106	1,106	-	1,577
Repairs and maintenance	1,400	1,316	916	(400)	-
Other	2,150	3,817	2,379	(1,438)	5,279
Total clerk	12,945	8,664	6,511	(2,153)	10,094

CITY OF COLEMAN
GENERAL FUND
DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005
(With comparative actual amounts for the year ended June 30, 2004)

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET	2004
General government (continued)					
Public property - city hall and grounds					
Utilities	\$ 39,611	\$ 42,347	\$ 41,612	\$ (735)	\$ 35,617
Repair and maintenance	7,450	6,050	5,870	(180)	7,319
Total public property - city hall and grounds	47,061	48,397	47,482	(915)	42,936
Planning commission					
Other	860	514	508	(6)	770
Total general government	113,285	106,778	104,902	(1,876)	140,222
Public safety					
Police department					
Salaries, wages and benefits	103,190	119,560	114,771	(4,789)	104,341
Supplies	5,000	6,500	6,585	85	7,127
Clothing	500	325	391	66	1,373
Laundry and cleaning	250	225	246	21	229
Legal fees	3,000	1,000	607	(393)	3,246
Telephone	1,500	1,425	1,735	310	1,934
Equipment repair and maintenance	8,094	7,231	6,329	(902)	10,357
Gas and oil	2,000	2,300	2,360	60	1,363
Training	1,000	360	360	-	370
Other	2,850	450	575	125	6,030
Total police department	127,384	139,376	133,959	(5,417)	136,370
Fire protection					
Contractual services - fire protection	27,805	27,805	27,786	(19)	26,241
Housing code enforcement					
Wages and benefits	1,360	-	-	-	1,026
Telephone	-	-	-	-	25
Legal fees	100	-	-	-	-
Equipment rental	75	-	-	-	-
Supplies	625	475	475	-	636
Total housing code enforcement	2,160	475	475	-	1,687
Total public safety	157,349	167,656	162,220	(5,436)	164,298

CITY OF COLEMAN

GENERAL FUND DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

(With comparative actual amounts for the year ending June 30, 2004)

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET	2004
Public works					
Sanitation					
Wages and benefits	\$ 24,168	\$ 14,730	\$ 14,080	\$ (650)	\$ 13,689
Supplies	500	165	173	8	301
Equipment rental	12,000	8,445	7,877	(568)	7,645
Contracted services	50,000	49,685	49,273	(412)	47,016
Capital outlay	-	-	-	-	27,450
Total sanitation	86,668	73,025	71,403	(1,622)	96,101
Storm sewers					
Wages and benefits	9,950	2,605	2,379	(226)	6,789
Supplies	3,690	2,800	2,711	(89)	1,650
Equipment rental	6,690	1,653	1,529	(124)	2,678
Capital outlay	1,670	-	-	-	14,640
Total storm sewers	22,000	7,058	6,619	(439)	25,757
Department of public works					
Wages and benefits	37,021	25,240	24,987	(253)	21,925
Repairs and maintenance	10,150	13,466	11,839	(1,627)	7,219
Telephone	1,200	1,100	1,091	(9)	1,854
Equipment rental	9,500	11,380	12,853	1,473	10,165
Total department of public works	57,871	51,186	50,770	(416)	41,163
Total public works	166,539	131,269	128,792	(2,477)	163,021
Recreational and cultural - Parks department					
Wages and benefits	16,472	12,700	11,159	(1,541)	11,519
Utilities	1,330	1,425	1,334	(91)	1,172
Repairs and maintenance	2,550	6,950	27,169	20,219	1,833
Equipment rental	12,000	14,600	12,652	(1,948)	7,999
Total recreational and cultural - Parks department	32,352	35,675	52,314	16,639	22,523
Other functions - Insurance	26,843	38,308	36,352	(1,956)	26,121
Capital outlay	-	-	26,711	26,711	-
Debt service					
Principal	-	10,898	10,916	18	-
Interest and fiscal charges	-	-	907	907	-
Total debt service	-	10,898	11,823	925	-
Total expenditures	496,368	490,584	523,114	32,530	516,185
Other financing uses - transfers out	8,000	8,000	8,000	-	10,000
Total expenditures and other financing uses	\$ 504,368	\$ 498,584	\$ 531,114	\$ 32,530	\$ 526,185

CITY OF COLEMAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

	Special Revenue Fund	Capital Project Fund	
	LOCAL STREET	CAPITAL PROJECTS	TOTAL
Assets			
Cash	\$ 56,599	\$ -	\$ 56,599
Certificates of deposit	-	37,854	37,854
Due from other funds	24,359	-	24,359
Due from other governmental units	2,269	-	2,269
	<u>83,227</u>	<u>37,854</u>	<u>121,081</u>
Total assets	<u>\$ 83,227</u>	<u>\$ 37,854</u>	<u>\$ 121,081</u>
Liabilities and fund equity			
Liabilities			
Accounts payable	\$ 650	\$ -	\$ 650
Due to other funds	4,047	-	4,047
	<u>4,697</u>	<u>-</u>	<u>4,697</u>
Total liabilities	<u>4,697</u>	<u>-</u>	<u>4,697</u>
Fund equity			
Fund balances:			
Reserved	-	37,854	37,854
Unreserved:			
Undesignated	78,530	-	78,530
	<u>78,530</u>	<u>37,854</u>	<u>116,384</u>
Total fund equity	<u>78,530</u>	<u>37,854</u>	<u>116,384</u>
Total liabilities and fund equity	<u>\$ 83,227</u>	<u>\$ 37,854</u>	<u>\$ 121,081</u>

CITY OF COLEMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Fund	Capital Project Fund	
	LOCAL STREETS	CAPITAL PROJECTS	TOTAL
Revenues			
Gas and weight tax	\$ 29,137	\$ -	\$ 29,137
Build Michigan Program	980	-	980
Total intergovernmental revenue	30,117	-	30,117
Other	874	1,092	1,966
Total revenues	30,991	1,092	32,083
Expenditures			
Routine maintenance	7,470	-	7,470
Winter maintenance	11,335	-	11,335
Administration	800	-	800
Construction	49,334	-	49,334
Total expenditures	68,939	-	68,939
Net change in fund balances	(37,948)	1,092	(36,856)
Fund balances, beginning of year	116,478	36,762	153,240
Fund balances, end of year	\$ 78,530	\$ 37,854	\$ 116,384

CITY OF COLEMAN

LOCAL STREETS NONMAJOR SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
Revenues				
Gas and weight tax	\$ 28,200	\$ 29,648	\$ 29,137	\$ (511)
Build Michigan Program	1,020	981	980	(1)
Total intergovernmental revenue	29,220	30,629	30,117	(512)
Other	250	900	874	(26)
Total revenues	29,470	31,529	30,991	(538)
Expenditures				
Routine maintenance	22,000	7,300	7,470	170
Winter maintenance	16,100	11,335	11,335	-
Administration	800	800	800	-
Construction	100,000	83,200	49,334	(33,866)
Total expenditures	138,900	102,635	68,939	(33,696)
Net change in fund balance	(109,430)	(71,106)	(37,948)	33,158
Fund balance, beginning of year	116,478	116,478	116,478	-
Fund balance, end of year	<u>\$ 7,048</u>	<u>\$ 45,372</u>	<u>\$ 78,530</u>	<u>\$ 33,158</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 3, 2005

City Council
City of Coleman
Coleman, Michigan

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the ***City of Coleman***, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ***City of Coleman's*** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the ***City of Coleman's*** ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is as follows:

As is common with Cities of this size, there is an overall lack of segregation of duties with regard to the accounting functions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *City of Coleman's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.